

Message Text

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ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 COME-00
CIAE-00 DODE-00 INR-10 NSAE-00 PA-01 L-03 HA-05
/098 W
-----062159 210054Z /41

R 201129Z MAY 78

FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 6160
INFO AMEMBASSY ATHENS
AMEMBASSY ABU DHABI
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY JIDDA
USDOC WASHDC

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ATHENS FOR RTDO

E.O. 11652: GDS
TAGS: ETRD, JO
SUBJECT: JORDANIAN BOYCOTT PRACTICES

REF A) AMMAN 2789, B) STATE 30207

1. SHORTLY AFTER REF A) REPORTED THAT JORDANIAN COMMERCIAL BANKS HAD VIRTUALLY ELIMINATED UNACCEPTABLE BOYCOTT LANGUAGE FROM THEIR L/C'S, MINISTRY OF FINANCE, WHICH I AEN LATE MARCH, AT INSTANCE OF MINFIN

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CENTRAL BANK REQUESTED COMMERCIAL BANKS TO PROVIDE IT WITH ALL FORMS USED IN CONNECTION WITH L/C'S. AT TIME, IT WAS HOPED AND EVEN EXPECTED THAT THERE WOULD BE NO FURTHER ACTION AFTER BANKS COMPLIED WITH REQUEST. RECENTLY, HOWEVER, CENTRAL BANK, AGAIN AT INSTANCE OF MINFIN, HAS INFORMED COMMERCIAL BANKS WHOSE DOCUMENTS DID NOT CONFORM TO JORDAN'S FORMAL

BOYCOTT REGULATIONS THAT THEY MUST CHANGE THEIR PROCEDURES ACCORDINGLY. IT APPEARS THAT ALL BANKS HAVE BEEN CITED IN CENTRAL BANK'S MOST RECENT COMMUNICATION FOR FAILURE TO INCLUDE STATEMENT CERTIFYING TO NON-BLACKLISTED STATUS OF VESSELS OF SHIPMENT. SOME BANKS, INCLUDING ARAB BANK (WHICH DOES MORE THAN HALF OF JORDANIAN COMMERCIAL BANKING BUSINESS) ARE TRYING TO DRAW CENTRAL BANK INTO DIALOGUE ON THIS ISSUE. CENTRAL BANK HAS MADE IT CLEAR IN EACH OF ITS COMMUNICATIONS THAT MINFIN, AND NOT CENTRAL BANK, IS RESPONSIBLE FOR BOYCOTT REGULATION AND FOR NEW TOUGH LINE. AT BEST, COMMERCIAL BANKS' DISCUSSIONS WITH CENTRAL BANK WILL GAIN SOME POSTPONEMENT IN DAY OF RECKONING. WE KNOW OF NO COMMERCIAL BANK REPRESENTATION TO MINFIN AS YET.

2. IN CONTACTS WITH EMBASSY, CENTRAL BANK AUTHORITIES HAVE CONSISTENTLY TOLD US THAT BANK ACTS ONLY AS CONDUIT FOR MINFIN INSTRUCTIONS ON BOYCOTT. IN FACT, WE KNOW CENTRAL BANK HAS TAKEN INITIATIVE WITHIN GOJ TO MODERATE ZEALOUSNESS OF MINFIN, APPARENTLY WITH NO SUCCESS. IN OUR INFORMAL CONTACTS WITH MINISTER OF FINANCE, WE SEE NO EVIDENCE THAT FORMAL EMBASSY DEMARCHE TO HIM WOULD HAVE ANY GREATER SUCCESS IN DEVELOPING FLEXIBLE ATTITUDE ALLOWING MUCH DESIRED "CLEAN DOCUMENTED" L/C'S.

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3. WE ESTIMATE THAT PAYMENT FOR MORE THAN 60 PERCENT OF AMERICAN IMPORTS INTO JORDAN IS NOW EFFECTED BY L/C'S. DUE TO US ANTI-BOYCOTT LEGISLATION, OTHER MEANS OF PAYMENT (E.G. LINES OF CREDIT FROM US SUPPLIERS AND SIGHT DRAFTS) HAVE ALREADY REDUCED USE OF L/C'S CONSIDERABLY. IF MINFIN IS INFLEXIBLE ON CERTIFICATION OF NON-BLACKLISTING OF SHIPS, SOME ADDITIONAL REDUCTION IN L/C USE WILL TAKE PLACE, BUT PROBABLY MOST SUCH ADJUSTMENTS THAT CAN BE MADE HAVE ALREADY BEEN MADE. IN ADDITION TO LOSS OF POTENTIAL AMERICAN SALES TO JORDAN LOST BECAUSE OF UNWILLINGNESS AND INABILITY OF AMERICANS AND JORDANIANS TO COPE WITH COMPLICATED US LEGAL POSITION, IMPORTANT EXISTING BUSINESS RELATIONSHIPS ARE LIKELY TO BE SEVERED. TYPICAL OF THE ATTITUDE OF LOCAL BUSINESS COMMUNITY REGARDING US ANTI-BOYCOTT LEGISLATION, VICE PRESIDENT OF JORDANIAN CHAMBER OF COMMERCE HAS RECENTLY REMARKED, "IT IS THEIR PROBLEM, NOT OURS."

4. FOR DEPARTMENT -- IF WE READ PARAGRAPH 4, B) OF REF B) CORRECTLY, THERE IS NOTHING IN EAA TO PREVENT LOCAL IMPORTER (WHETHER FORMALLY APPOINTED/AGENT OR

OTHERWISE) FROM HIMSELF INDEPENDENTLY CERTIFYING TO
MINFIN THAT VESSEL CARRYING HIS CONSIGNMENT IS NOT
BLACKLISTED, THUS POSSIBLY REMOVING NEED FOR SUCH
STATEMENT ON L/C, SINCE IMPORTER WOULD MAKE STATEMENT IN
HIS OWN INTEREST RATHER THAN ON "BEHALF" OF SUPPLIER.
IF THIS INTERPRETATION CORRECT, HOWEVER, UNDER DEPART-
MENT INSTRUCTIONS, EMBASSY PROBABLY COULD NOT VOLUNTEER
THIS INFORMATION. ASSUMING OUR INTERPRETATION IF
TWO PRECEDING SENTENCES IS CORRECT, CAN EMBASSY IN RE-
SPONSE TO DIRECT INQUIRY FROM LOCAL BUSINESSMEN CONFIRM THAT
THEIR INDEPENDENT CERTIFICATION WOULD NOT INVOLVE US
SUPPLIER IN VIOLATION OF EAA? PLEASE ADVISE ASAP
AS THIS SORT OF INQUIRY IS TO BE EXPECTED IN NEAR
FUTURE.

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5. FOR INFO ADDRESSEES -- WOULD APPRECIATE UPDATE
ON LOCAL PRACTICES REGARDING CERTIFICATION OF NON-
BLACKLISTED STATUS OF SHIPS AS REQUIREMENT
OF L/C'S.
SUDDARTH

NOTE BY OC/T: MESSAGE AS RECEIVED.

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NNN

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